

## SMALL AND MEDIUM ENTERPRISES AT INTERNATIONAL MARKETS

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**ABSTRACT:** The article deals about the possibilities of entering to foreign trades with special attention on Small and Medium Enterprises and most of pre-entering steps the management have to make. It shows on practice example what informations managers need and must consider before enter to foreign trade.

**KEY WORDS:** Small and Medium Enterprises, foreign markets

### 1 INTRODUCTION

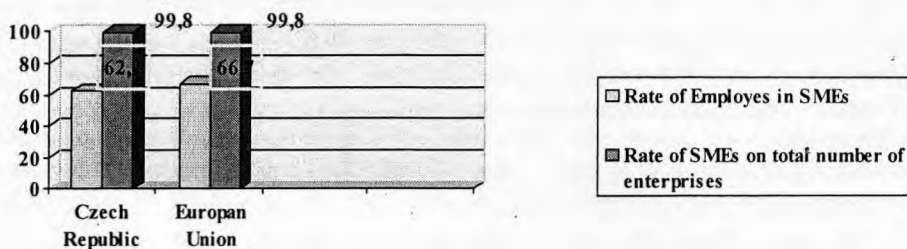
The Small and Medium - sized Enterprises (SMEs) are creating important element in economic systems of economically advanced countries. Among positives contributions of this enterprises belong the creation of healthy entrepreneurial environment, in a way that they are escalating the dynamic of market by filling up marginall segment of market, which seemed to be unattractive for bigger enterprises. Often plays the role of subsuppliers of big enterprises. They are able of absorb the mayor part of labour forces lost by big enterprises and by this way reducing adverse effects of structural changing in national economy. The great contribution is their decentralized actuating that is leading to the development of regions and smaller cities and municipalities. But their can often have problems with entering to foreign trades because of their specific characteristics. Practice example is representing SME and its decision about entering to foreign market.

### 2 CLASIFICATION AND IMPORTANCE OF SME's

The category of Medium Enterprises is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro. New defenition of European Union also contains the part about autonomy of SMEs.

Both types must fill up the rule about their autonomy. This rule says that the enterprise is aoutonomous if it is totally independent or it has a holding of less than 25 % of the capital or voting rights in one or more other enterprises and/or outsiders does not have a stake of 25% or more of the capital or voting rights in this enterprise. [6]

The importance of SMEs for czech economy and economy of EU is very crucial. SMEs are employing 62,2% of all economically activ persons in the Czech Republic in EU this rate runs to 66,7 %. It's making 99,8 % of total number of enterprises, that are actuating in czech market, in european market the rate is the same. [7]



**Figure 1** Importance of SME in international economy.

### 3 SME's ENTERING TO FOREIGN MARKETS

The decision about entering to foreign market is in the competency of the department of International Marketing and its made by top-management of each enterprise. Due to their size SME are able to react on demands of market very quickly. This fact is increasing their competitive advantages. If the enterprise is competitively strenght, it's able to use its potential for entering in international trade. As well as big enterprises also SMEs have to make a lot decisions and research before entering to foreign trade. These decisionas and research are made to eliminate or minimalize possible risk of this step. Managers don't have to forgrget to make:

- International marketing research – International marketing research is very important for further succes of entering, because marketing environment is not stable: there are a lot of changes, market surprises, turbulences etc. It is producing also new opportunities but on the other hand a lot of new problems.
- Decision about export activities to foreign markets – The reasons for entering to foreign market can be different, sometimes the company is asked directly by governemnt or by comapany of foreign country, but sometimes and most frequently it is the decision of the enterprise.
- Decision about destination markets – Before entering to foreign market an enterprise have to do a lot of steps as define objectives and marketing policy, set the final selling quantity, make decision about the number of destination countries and make clear the type of destination country. Most convinient method is seemed to be the PEST analysis (analysis of politics, legislatives, economics, socials, culturalas and technicals aspects). It's recomendad to make a list of destination countries and put them in order in accordance with importance of following aspects like market size, market growth, relative costs or competitive advantage. [3]
- Decision about entering to market – The main task is to point out the best way for entering confronting all possibilities like export, Joint Venture, equity investmets etc. Speaking about SMEs not all of the ways are appropriate. Some of methods are extremaly expansive. SMEs should better choose from following possibilities like export alliances, piggyback, dealership, direct export.
- Decision about marketing program – Before creating new marketing program, which it's not oftner necessary, it's very important to answer the question about the measure we have to fit our marketing mix to foreign trade. There are two extreme solutions:
  - Standard marketing mix is global, it means the product, propagation and distribution;
  - The adaptation of marketing mix to custom practice, mentality, demands, rents and macroeconomics specifications. [4]

The potential of competitive advantage, can be to certain measure restricted by negative effects of environment surrounding them. As an decisive brake for entering to foreign market can be considered difficult access to capital. This difficult acces is limiting possibilites of further, financing of

developing activities. Because of its size they have higher costs of export activities. The size is also limiting them to overrule basic barriers of international trade. [1,2]

Speaking about specific problems of Czech SMEs we have to mention the following problems:

- More difficult is the obtaining of marketing informations about long distance markets and customers;
- Financial requirement for quality and technical standards are higher;
- The lack of hand skills labour force;
- The access to financial capital for capitalize export activity;
- The access to professional training is more difficult;
- Worse level of management. [5]

#### 4 EXAMPLE OF APPLICATION

Enterprise ABC, Ltd. is employing 80 employees and is producing small metallic component. This company decided to expand to new foreign countries. It is choosing 2 possibilities: market of Slovak Republic and Hungary. Which of these 2 countries and way of entering could be more convenient.

Comparing main aspects of both countries it seems that better choice for entering foreign trade is the market of Slovak Republic for the type of goods they produce (see Table 1).

As the possible way of entering could be direct export using services of Slovak business partner for distribution and promotion.

**Table 1** Main aspects of mentioned countries

Aspect	Slovak Republic	Hungary
Objectives	Reach 15% of total marketplace Maintain position on the market.	Reach 15% of total marketplace Maintain position on the market.
Marketing policy	Challenger based on market segmentation	Challenger based on market segmentation
Political aspects	Political situation is stable Member of EU	Political situation is stable Member of EU
Legislative aspects	Transparent legislative environment	Transparent legislative environment
Economical aspects	Inflation 5,1 % (2008) Unemployment 7,5% (2008) Economy of SR is not so affected by global crisis. EURO currency (2009)	Inflation 8% (2008) Unemployment 7,5% (2008) Economical and financial crisis
Socials - demographic aspects	61% of economically active persons (2007)	56,5 % of economically active persons (2007)
Cultural aspects	Without language barrier.	Special language - Hungarian
Technical aspects	Good infrastructure. Proximity of the market.	Good infrastructure.
Marketing Mix	Standard	Standard
Another conditions	Branch of Czech Trade and Czech Invest High competition in the Market	Branch of Czech Trade and Czech Invest Liquidity of Hungarian business partners will get worse High competition in the Market

#### 4 CONCLUSION

Small and medium-sized enterprises are the engine of the European economy. They are an essential source of jobs, create entrepreneurial spirit and innovation in European Union. With increasing importance of globalization activities it's for SMEs very important the possibility of entering to foreign market. Sometimes these enterprises are often confronted with market imperfections especially in international trade. Because of their importance in each economy the economic policy of each country should try to do its best to provide them the best conditions for their operation and development.

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